

APPENDIX E

CORRESPONDENCE AND MAPS FOR THE NOS PROCESS



United States
Department of
Agriculture

Forest
Service

Paonia
Ranger District
PHONE NO. 970-527-4131

P.O. Box 1030
N Rio Grande Ave.
Paonia, CO 81428
FAX 970-527-4151

File Code: 2820-2

Date: December 11, 2002

Ms. Helen Mary Johnson
U.S. Department of Interior
Bureau of Land Management
14 Burnett Court
Durango, CO 81301

Dear Helen Mary Johnson,

Gunnison Energy Corporation (GEC) has submitted Applications for Permits to Drill (APDs) for four wildcat gas wells on the Grand Mesa, Uncompahgre, and Gunnison National Forests (GMUG), Paonia Ranger District. The APDs received were for locations named Bull Park Federal, Powerline Federal, Oak Brush Federal and Hubbard Creek Federal gas wells. These APDs were received in our office on December 9, 2002.

We have reviewed the APDs and have determined the Surface Use Plans of Operation (SUPOs) are complete for environmental analysis purposes. The Bureau of Land Management (BLM)-Durango Office has the responsibility for the down hole portion of the APDs. We would like to note the following with regard to the APDs:

Bull Park Federal Well:

1. Add "Powerline Federal" well to Section 3 of the SUPO (this is shown correctly on Exhibit G).
2. USFS will provide the correct seed mixes in the Conditions of Approval (COAs), Section 10 of the SUPO.

Oak Brush Federal Well:

1. The legal description and section number for this well are wrong in Exhibit B of the SUPO.
2. USFS will provide the correct seed mixes in the COAs, Section 10 of the SUPO.
3. The result of a breeding bird survey was not enclosed with the APD package per the USFS letter dated November 4, 2002. Please provide a breeding bird survey results to the USFS as soon as is practicable.

Hubbard Creek Federal Well:

1. A Colorado State-approved exception to the distance from the lease line must be in place prior to commencement of any drilling. Please provide written proof of this to the USFS.



2. The archaeological clearance information is not current for this location because it was moved during the onsite inspection. The archaeological clearance information shall be performed in the spring after the snow melts and submitted to the USFS.
3. USFS will provide the correct seed mixes in the COAs, Section 10 of the SUPO.

Powerline Federal Well:

1. GEC must be in compliance with applicable Occupational Safety and Health Administration and Department of Energy regulations regarding a safe distance from the power line and provide the necessary documentation to the USFS.
2. USFS will provide the correct seed mixes in the COAs, Section 10 of the SUPO.

The process now moves to environmental analysis of the proposed actions as required by the National Environmental Policy Act (NEPA). We would like to remind GEC that the proposed operations will be analyzed considering the standards and guidelines identified in the GMUG Oil and Gas Leasing Environmental Impact Statement, 1993.

GEC has also submitted APDs (also determined to be complete) for Leon Lake #4 and #5, and these gas wells will also be analyzed in the same NEPA document the above referenced APDs will be analyzed in.

If you have any questions or concerns please do not hesitate to contact Liane Mattson or Kim Kaal of my staff at (970) 527-4131.

Sincerely,



SUSAN J. SPEAR
District Ranger

cc: Lynn Lewis, BLM, Mark McCallister, GEC



United States Department of the Interior



Bureau of Land Management
Uncompahgre Field Office
2505 South Townsend

Montrose, Colorado 81401

ACTION

DATE

NOV 14 2002

DISTRICT RANGER

MINERALS

LANDS/ENG

RANGE

WILDLIFE

NOV 12 2002

Mark McCallister
Gunnison Energy Corporation
1801 Broadway, Ste 1200
Denver, CO 80202

ADMIN ASST

EC

TIMBER

In Reply
Refer to:
CO-150
COC-65117
COC-65529

Dear Mr. McCallister:

As discussed at the onsites for the Hawksnest Federal 13-90 #1-2 and the Thompson Creek Federal 12-90 #1-35 wells on November 5, 2002, we agreed to the following.

Hawksnest Federal 13-90 #1-2: The location looked good. The portion of the road off lease will require a right-of-way.

Thompson Creek Federal 12-90 #1-35: The site was moved to the west and south to more level ground. Both the drill pad and access road will require a right-of-way. A survey of the BLM/USFS boundary will be completed as required by the USFS. The ATV trail will be rerouted around the west side of the drill pad until such time that it can be put back in its original location. The jeep trail on the east side of the drill pad will not be blocked. Trees will be stockpiled for future reclamation. If large boulders are found, at reclamation, some will be partially buried to provide for a landscaped surface, the remainder will be buried. The stock pond dam will be widened to accommodate the jeep trail across the dam.

The attached list should be considered in the Surface Use Plan. Please contact Lynn Lewis at (970) 240-5305 if you have questions.

Sincerely yours,

Allan J. Belt
Field Office Manager

Attachment

cc. Dave Banko
Liane Mattson, USFS

1. Required Surveys

- a. Archaeological clearance and Biological Assessment and Biological Evaluation reports are required.
- b. In the event cultural resources are observed during construction, all surface-disturbing activities will be halted and the Uncompahgre Field Manager, BLM, will be notified.

2. Access Road

- a. The earthwork contractor must be in possession of stipulations regarding site and access road construction while construction is in progress.
- b. The existing access road (Coal Gulch) will be used, and a ROW is required as discussed. Coordination and consultation with Oxbow Mining Inc. will occur prior to road maintenance.
- c. Access road width is 14-16 feet, with a maximum disturbed width of 30 feet.
- d. The surface material source from BLM lands, must be identified. If surface material is required and
- e. The access road will not be flat-bladed.
- f. The new access road will be upgraded, crowned and ditched.
- g. A low water crossings and waterbars will be constructed as discussed.
- h. Culverts will be installed on the access road if required.
- i. If directed by the Authorized Officer, water bars will be built as follows to control erosion:

Grade	Spacing
2%	Every 200 feet
2-4%	Every 100 feet
4-5%	Every 75 feet
5+%	Every 50 feet
- j. The roads shall be maintained reasonably smooth, and free of ruts, soft spots, chuckholes, rocks, slides and washboards. A regular maintenance program shall include blading, ditching, sign replacement, surfacing, and culvert maintenance. During wet weather conditions, no mud blading will be allowed. When road conditions are such that vehicles create ruts deeper than 4", travel activities will be temporarily suspended. The operator is required to correct maintenance deficiencies when documented and directed by the Authorized Officer.
- k. Vehicle traffic is limited to bladed/traveled road surface. No off road or cross country travel.

3. Site Requirements

- a. All brush and trees will be piled separately so they can be put back over the reclaimed site.
- b. Remove the top 6 to 12 inches of soil from the location and stockpile at the side of the site.
- c. Confine vehicle travel and parking to areas specified in APD. All staging areas, turnout/pullouts must be authorized.
- d. Construct the reserve pit with a minimum of half the total depth below the original ground surface.
- e. Three sides of the reserve pit will be fenced before drilling starts. The fourth side of the pit shall be fenced upon completion of drilling and prior to removal of the rig. The fence shall be maintained in good repair while the pit is drying and must remain until the pit is dry and site restoration begins.
- f. The reserve pit will be sealed in such a manner as to prevent leakage of the fluids. Methods available to insure containment of drilling fluids in the reserve pit include lining the inside of the pit with at least 10 mil plastic. If a plastic liner is used, the bottom of the pit shall be smooth and free of any sharp rocks. If the pit has a rocky bottom, it shall be bedded with a material such as soil, sand, straw or hay to avoid the possibility puncturing the liner. A minimum of not less than a 2- foot freeboard will be maintained in the pit at all times. All oil or floating debris will be removed from the pit immediately after the drilling phase or the well.
- g. Prior to rigging up, a one foot high berm will be constructed around the perimeter of the wellpad in such a manner as to contain all storm events/spills from going downstream of the wellpad. A lined sump pit may be utilized to contain such fluids. The wellpad will be

designed in such a manner as not to allow runoff water to enter the pad. The need for the berm will be reassessed upon the completion of the well and production is established.

- h. All solid waste will be collected in mesh wire cages or dumpsters and removed from the site for disposal.
- i. All permanent structures (onsite for six months or longer) constructed or installed will be painted a flat, nonreflective earthtone color which will be Juniper Green.
- j. If, during the construction process, vehicles and equipment are taken over areas infested with noxious weeds to areas not infested, vehicles and equipment will be cleaned with high pressure spray equipment before moving to ensure that weeds are not spread from existing infested areas.
- k. The operator is required to control weeds for the life of the well in accordance with County regulations. The operator shall be required to submit a Pesticide Use Proposal to the BLM prior to actual noxious weed control for approval of herbicides or mechanical controls. As a safeguard to avoid the inadvertent invasion of noxious weeds, vehicle(s) that have been driven in weed-infested areas should be cleaned with high pressure spray equipment before entering non-infested areas. The operator and BLM staff will monitor for noxious weeds and contact the applicant regarding treatment required.
- l. If dust becomes a problem during any phase of the operations, the operator will be required to provide dust abatement measures to the access road, staging area and drill site location. These would include water or magnesium chloride, emulsified asphalt or other dust palliatives to decrease the application frequency.
- m. Signs will be posted on site that identify potential hazards associated with its operation including noise, high pressure, and chemical hazards. Material Safety Data Sheets for any treatment chemicals will be maintained on site during the construction phase. Equipment operators will be required to wear appropriate personal protective equipment to minimize exposure to these hazards.
- n. Bird netting will be required on the reserve pit as soon as drilling is completed
- o. The lessee and/or operator are required to comply with the Clean Water Act, National Pollution Discharge Elimination System, Stormwater Management Plans, Colorado Department of Public Health and Environment (CDPHE) standards for gas emissions and all other applicable laws pertaining to oil and gas operations.
- p. The operator shall comply with all applicable federal and state fire laws and regulations, and shall take all reasonable measures to prevent and suppress fires in the area of operations. Fire restrictions/guidelines during periods of high wildfire danger will be followed as required by the Authorized Officer.

4. Reclamation

- a. All disturbed surfaces will be seeded with the attached seed mixture.
- b. The stockpiled topsoil will be spread evenly over the disturbed area. Seed will be drilled or broadcast as described in the Surface Use Plan. If seed is broadcast, it shall be raked or harrowed into the ground before the stockpiled brush and trees are scattered back over the reclaimed area.
- c. Reclamation will be considered successful when the desired vegetative species are established, erosion is controlled, weeds are considered a minimal threat, and it is likely that ground cover will return to its pre-disturbance condition. The operator will continue revegetation efforts until this standard is met.
- d. Prepare seedbed by ripping or disking to a depth of 4 to 6 inches following the natural contour. Seed will be drilled on contour at a depth of ½ inch.
- e. Seeding must be completed immediately after seed bed preparation.
- f. Before any dirt work to restore the location takes place, the reserve pit must be dry. Any water remaining in the reserve pit should be disposed of in an approved disposal facility. All enhanced evaporation of the reserve pit fluids shall have prior approval of the authorized officer. The reserve pit must be reclaimed within 12 months from the date the well is spudded. Before reclamation of the reserve pit proceeds, it will be dry and solid. This can be

accomplished naturally or by artificial solidification. The reserve pit solids will not be squeezed out of pit. The liner shall be cut off at the mud level and removed to an approved disposal site. There will be a minimum of 2 feet of overburden on the pit prior to replacing the topsoil and seeding.

5. If the well is a producer:
 - a. Upgrade and maintain access roads as necessary to prevent soil erosion and accommodate traffic during wet conditions. All weather surfacing will be required.
 - b. Distribute topsoil, disk, and seed all disturbed surfaces outside the work area with the recommended seed mixture.
 - c. Compaction and construction of the berms surrounding the tank or tank batteries will be designed to prevent lateral movement of fluids through the utilized materials, prior to storage of fluids. The berms must be constructed to contain at a minimum 120 percent of the storage capacity of the largest tank within the berm. All load lines and valves shall be placed inside the berm.
 - d. All produced fluids including dehydrator bent/condensate line effluent must be contained. All production pits must be fenced with woven wire.
 - e. If production is achieved and noise becomes a nuisance with any production operations, adequate muffling techniques such as hospital type mufflers will be applied.
 - f. Complete the rehabilitation work, including a satisfactory stand of grass within two growing seasons after reserve pit is dry.)
 - g. Following receipt of Notice of Intent to Abandon, final BLM recommendations for surface reclamation will be specified.
6. If the well is abandoned/dry hole:
 - a. The operator will notify this office prior to back-filling the reserve pit after the contents have dried. Produced waste water will be disposed of in lined pits or tanks until an application for approval of a permanent disposal method is submitted.
 - b. During reclamation of the site, push the fill material back into the cuts and up over the backslope. Leave no depressions that will trap water or form ponds. Distribute stockpiled topsoil evenly over the location, rip or disk, and reseed as recommended above.
 - c. The new constructed access road will be left in usable condition for the surface landowners' use OR will be reclaimed.
 - d. Disk and seed the road with the same mixture as recommended for a producing well.
7. Contacts
 - a. The operator will notify this office by phone at least 48 hours prior to any surface disturbance.
 - b. The operator will notify this office at least 48 hours prior to backfilling the reserve pit or beginning any reclamation activity.
 - c. BLM contact for surface resources is Danna Knox, 970.240.5404 or Lynn Lewis, 970.240.5305 at the Uncompahgre Field Office, 2505 S. Townsend, Montrose, CO 81401, FAX 970.240.5367.
 - d. BLM contact for downhole permitting is Dan Rabinowitz, 970.385.1363, at the San Juan Field Office, 15 Burnett Court, Durango, CO 81301.

Seed Mix for Oakbrush Zone

SPECIES	% of Mix	PLS	#/Acre
Western Wheatgrass var Arriba	12	8.0	0.96
Slender Wheatgrass var San Luis	12	5.5	0.66
Mountain Brome var Bromar	12	12.5	1.5
Big Bluegrass var Sherman	12	1.5	0.18
Bottlebrush Squirreltail	12	8.0	0.96
Canada Wildrye	12	7.0	0.94
American Vetch	6	10.0	0.6
Rocky Mountain Penstemon	6	1.5	0.09
Western Yarrow	6	1.0	0.06

Total application rate for incorporated seed 5.95 #/acre

Double this rate if seed is aerial broadcast and not incorporated



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Paonia
Ranger District
PHONE NO. 970-527-4131

P.O. Box 1030
N Rio Grande Ave.
Paonia, CO 81428
FAX 970-527-4151

File Code: 2820-2

Date: November 4, 2002

Mr. Mark McCallister
Gunnison Energy Corporation
1801 Broadway, Ste 1200
Denver, CO 80202

Dear Mark,

This letter provides notification of additional requirements noted at the on site reviews held for the Notices of Staking (NOS) for the Bull Park Federal 12-91 (1-31), Oak Brush Federal 12-91 (1-26), Hubbard Creek Federal 12-91 (2-23), and the Powerline Federal 12-91 (1-17) proposed exploration gas wells. These locations lie on the Paonia Ranger District of the Grand Mesa, Uncompahgre and Gunnison National Forest (GMUG).

The NOS on sites were held on October 28 and 29, 2002. The Bull Park Federal and the Powerline Federal locations were visited on October 28, and the Oak Brush Federal and Hubbard Creek Federal were visited on October 29. In attendance on October 28 were Kim Kaal, Justin McConkey, John Williams, Andrea Wang and Linda Lanham from the GMUG; Bruce Bertram of Delta County; Lynn Lewis, Jim Ferguson and Teresa Pfifer of the BLM, and Dominic Chavez, John McKeon, Keith Dana, Jim Miller, Trish Diehl and you representing GEC and contractors. On October 29, the group included Liane Mattson, John Williams, Andrea Wang and me from the GMUG, Bruce Bertram of Delta County, and Dominic Chavez and you from GEC and contractors. There are also two proposed locations on BLM lands that were not visited on these days due to inclement weather preventing access to the sites.

From our on site reviews, we note the following items will need to be included in subsequent Applications for Permit to Drill (APDs) at these locations:

Bull Park Federal: The location was moved about 100 feet uphill to afford visual screening and site security. The surveyed location will need to be provided. A gate will be needed on the access road to this location. GEC needs to provide archeological, and threatened and endangered species survey information for this location.

Oak Brush Federal: This location was moved 50 feet to the east in order to move the pad out of a drainage. A breeding bird survey will be needed for this location. The amount of road on the national forest will also be needed, along with an on the ground survey of the Forest Boundary. GEC needs to provide archeological, and threatened and endangered species survey information for this location.



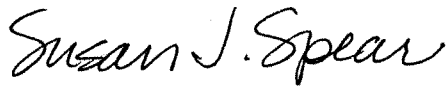
Powerline Federal: The staked location of this well is about 150 feet from an existing high-tension powerline. GEC must research appropriate regulations pertaining to required setbacks from overhead powerlines for drill rigs. The staked location may need to be moved based on this information. The north arrow on the NOS map was facing the wrong direction, and needs to be corrected. GEC needs to provide archaeological, and threatened and endangered species survey information for this location.

Hubbard Creek Federal: This location was moved out of a drainage and onto a ridge to the south. A potential road alignment was flagged to the site. Survey information for the site and the road will need to be provided. GEC needs to provide archaeological, and threatened and endangered species survey information for this location.

Future submittals will need to have engineering drawings for the proposed road alignments, and we also request that the well locations and road alignments be shown on a map with an overlay of the surface use stipulations from the associated lease. With respect to the two locations on BLM lands, we will also need to have the Forest Boundary surveyed in proximity to the proposed location of the Thompson Creek exploratory well.

Please contact Liane Mattson of my staff should you have any questions.

Sincerely,



SUSAN J. SPEAR
District Ranger

cc: Helen Mary Johnson, BLM-Durango,
Lynn Lewis, BLM-Montrose



File Code: 2820-2

Date: June 25, 2002

Mark McCallister
Operations Manager
Gunnison Energy Corporation
1801 Broadway
Suite 1200
Denver, CO 80202

Dear Mark,

On June 17, 2002 a follow up onsite meeting was held for the Gunnison Energy Corporation's (GEC's) proposed coal bed methane wells, Leon Lake #3 through #6. This meeting was held to resolve some of the issues identified during the June 4, 2002 onsite meeting. The meeting's objective was to assist the company with gathering information to complete their Applications for Permit to Drill (APDs). Please also refer to my letter dated June 14, 2002 for more information regarding APD submittals.

The meeting attendants were: Kim Kaal, Liane Mattson, Andrea Wang, and Doug Marah from the US Forest Service (USFS); and Scott Ellis, Jim Miller, Keith Dana, Mark McCallister and Dominic Chavez, representing GEC and their consultants.

APD submittal, general. On Forest off site equipment staging areas should be identified and delineated. APD submittals should provide distances from drill pads and access roads to features such as roads, streams, springs, wetlands, reservoirs and lakes. All drill site access roads will have to be designed, signed and stamped by a Professional Engineer; while survey plat maps will require signature and stamp of a Professional Land Surveyor.

The following is a summary of field notes taken regarding access roads and drill pads during the follow up onsite review:

Leon Lake #3

The drill site access is proposed in part to be along the existing water user access trail, and in part developed in a new area (at the top of the hill where the grade flattens out) and will contain a 50-foot approach radius. At this well site, we determined that for the access road it would be necessary to maintain a distance of 100 feet as much as possible from wetland areas. Application of geotextile fabric supporting inch and a half to 3 inch minus crushed, aggregate will be necessary to harden up the road in proximity to wetland areas. In order to minimize disturbance in this area, the existing administrative-use ATV trail should be ripped, reclaimed and reseeded using a USFS approved seed mix. The access road may exceed an 8% grade for less than 350 feet.

We reviewed GECs proposed location of this drill pad located 350 to 400 feet from Surface Creek; however, moving the drill pad west of the proposed location will put it in



a low area near several wetland areas. The current proposed drill pad location appears to be a more reasonable option because it is proposed to be located on higher, drier ground. A portion of the allotment fence will have to be relocated to accommodate the drilling pad and this should be coordinated with Diane Weaver, USFS Range Conservationist. A gate or cattle guard will also be necessary to access the drill pad.

Leon Lake #4

This drilling location will be accessed using the same access road for the Leon Lake #3 well site. We reviewed GEC's proposed location of this drill pad in the aspens near the wetland sag.

While we were in the field, we found an alternative well pad location, which is in the meadow area that was east of the old out house, where the mules ear vegetation was abundant. The clearing appears to have been an old cow camp and is approximately 200 feet by 175 feet. This location was advantageous because it appears that it will require minimal to no timber removal, minimal cut and fill, and is drier.

Leon Lake #5

The drill site access will be along the existing unnamed trail, and will contain a 50-foot approach radius. This location is within 500-feet of the Leon Lake road.

We reviewed GECs proposed location of this drill pad in the area covered with skunk cabbage vegetation and immature aspen trees. While we were in the field, we found an alternative well pad location, which was near the campsite. This campsite area is on higher ground and is expected to be drier. It will require minimal cut and fill. The area we evaluated will be north of the old trail. The drill pad will be about 50 feet from the small dry creek bed that appears to be a reservoir overflow ditch.

Leon Lake #6

The drill site access will be in part along the existing trail, and in part developed in a new area, and will contain a 50-foot approach radius. The initial approach to the drill site access will be aligned with about 2,000 feet of the Green Mountain trail. The access to this site will require closure gates with a bypass around it. On this portion of the road, we reviewed the stream crossing development for Milk Creek. This stream crossing will require armoring with geotextile underlying a geocell containment system, and filled with minimum depth of 8 inches of washed 3 inch minus crushed, aggregate material. This hardening will apply to 20 feet from the high water line on all streams, or a minimum of 20 feet total width. All streams will be crossed at right angles to the centerline of the stream, and grades approaching the hardened structure will be 5% or less. Grades at a point 20 feet from the high water line on each side may be steepened to 10%. Stream crossings should be chosen where the stream gradient is the shallowest.

On the portion of the road which deviates from the Green Mountain Trail, we observed that it crossed at least 3 sets of old landslide scarps about 200 feet north from the proposed drill pad location. In these areas, cut and fill should be minimized, and precautions should be taken to keep from ponding water in this area. These potentially unstable slopes will likely see development of springs and seeps as soil is disturbed during construction. In these areas, diverting water from the fill areas with pipe, French drains, or some other means must be utilized to control water and keep pore pressures from building in the fill. Wetland or landslide slump feature crossings will need to be armored with geotextile fabric, followed by 3 inch minus crushed rock with little fines approximately 8 inches deep, similar to the stream crossings.

We reviewed GECs proposed location of this drill pad in the area where there are mature aspens. We discussed the advantages of constructing the drill pad to compliment the contour of the land as much as possible (while keeping the approximate size of pad to 225 feet by 150 feet). With this objective in consideration, reclamation would ultimately be more successful.

Access roads, general. The drill site access roads will have to maintain one disturbance as much as possible and parts of the access road will have to accommodate dual traffic with recreational users.

Basic design and construction criteria are as follows:

Design speed for all roads within the project area shall be 5 miles per hour (MPH).

Finished road width will be no more than 14 feet, except for curve widening and turnouts required to provide for safe passage of 2 vehicles.

Turnouts will be 8 feet in additional width and be spaced where needed and where terrain allows.

Design radius will be 50 feet on all curves in order to accommodate semi-truck access to the drill locations. Also, switchbacks to reduce grades should be designed to accommodate road use by semi-trucks.

All weak and/or wet soils in this area will have to be hardened with geotextile fabric underlying inch and a half to 3 inch minus crushed rock aggregate. Access road portions, which begin to show surface rutting deeper than 2 inches, will have to be hardened.

Portions of the access road with grades over 8% will have to be hardened as well. The access road may exceed an 8% grade (up to a maximum of 12%) for less than 350 feet.

All stream fords must be hardened by use of geotextile, geocell or similar containment system, and use of 3 inch clean crushed rock.

Basic roadway drainage will be in the form of rolling dips, using standard forest service configuration, spacing and dimensions.

During the life of the project, all drill pad access roads will be gated and signed per forest service sign handbook and meeting the requirements of Manual of Uniform Traffic Control Devices (MUTCD).

We anticipate that GEC will be submitting revised APDs reflecting the additional information for the SUPOs as identified in these onsite visits.

If you have any questions or concerns, please contact my staff geologists Kim Kaal or Liane Mattson at (970) 527-4131, or if you wish to discuss this letter further, please call me at (970) 242-8211. I look forward to hearing from you.

Sincerely,

A handwritten signature in cursive script, reading "Connie Clementson".

CONNIE CLEMENTSON
District Ranger

cc: Lynn Lewis, US Bureau of Land Management, Dan Rabinowitz, US Bureau of Land Management



United States
Department of
Agriculture

Forest
Service

Grand Valley
Ranger District

2777 Crossroads Blvd Unit A
Grand Junction, CO 81506
970-242-8211

File Code: 2820-2

Date: June 14, 2002

Mark McCallister
Operations Manager
Gunnison Energy Corporation
1801 Broadway
Suite 1200
Denver, CO 80202

FILE COPY

Dear Mark,

On June 4, 2002 an onsite meeting was held for the Gunnison Energy Corporation's (GECs) proposed coal bed methane wells, Leon Lake #1 through #6. This meeting was held in response to the six Notices of Staking and was arranged via a letter dated April 3, 2002. GEC has since filed Applications for Permits to Drill (APDs) on these same locations.

The meeting attendants were: Connie Clementson, Liane Mattson, Kim Kaal, Andrea Wang, Cindi Range and Linda Perkins from the US Forest Service (USFS), Lynn Lewis of the Bureau of Land Management; Anne McKibbin, Scott Ellis, Jim Miller, Keith Dana, Mark McCallister, Trish Diehl and Ken and his surveying crew, representing GEC and their consultants.

In a letter dated May 1, 2002, we responded to the six APDs (Lease Number COC-13563-A) and indicated the additional information needed in the Surface Use Plan of Operations (SUPOs) including the need to include the seven lease stipulations. It appeared during the on-site review that the proposed exploratory wells had been staked in locations without regard to these lease stipulations.

The following is a summary of field notes taken regarding the well locations and access roads during the onsite review:

Leon Lake #1

The access to this drill location is off of Forest Road 125. At this well site we determined that the new disturbance would be minimal since the well is on a former well pad location. In order to develop this area, topsoil would have to be stripped and segregated from subsoil. The well pad construction should require minimal cut and fill since the pad area appears to currently be on mostly level ground. We discussed a couple of potential locations for the reserve pit, for example to the east or to the south side of the well pad. Upon completion of the project, the access road to this well site will require reclamation. The APD needs to contain cut and fill information.

Leon Lake #2

The access to this drill location is off of Forest Road 125. At this well site we determined that the new disturbance would be minimal since the well is on a former well pad location.



In order to develop this area, topsoil would have to be stripped and segregated from subsoil. The well pad construction should require minimal cut and fill since the pad area appears to currently be on mostly level ground. This well site will require it to be gated and locked during exploration since it is a popular campsite. The APD will need to contain cut and fill diagrams.

Leon Lake #3

This well site access is from Forest Road 127. The review of this well site was performed on June 5, 2002. This well site was located in an aspen tree cover area. The meeting attendants were Kim Kaal, USFS, Mark McCallister, and Jim Miller. The access road to this well site passes by several water bodies, which appear to be wetland areas. These water resources will have to be protected. An overhead phone line crosses the proposed access road and provisions will have to be made to avoid its disturbance. Another issue was raised with respect to the proposed drill pad location being within 50 feet of Cole Reservoir #4. This proposed access road location should be moved approximately 500 feet from this reservoir. The access to this drill site should follow the established footpath as much as possible.

Leon Lake #4

This well site access is from Forest Road 127. This well site was located in an aspen tree cover area, and was located adjacent to a wetland area which was located northwest of the proposed well pad. The existing route (not currently designated as a trail or road) could be utilized and improved. Part of this access route contains a greater than 13% grade. This may require a switchback in order to eliminate the steep portion of this grade.

Leon Lake #5

This well site access is from Forest Road 127. The access crosses a dry streambed and is located in an area of early stage aspen trees. The proposed location of the drill pad was staked less than 500 feet from Forest Road 127 (lease stip). However, it was observed during our on-site that the by moving the drill pad to meet the stipulation requirements, it could involve extensive cut and fill, causing greater potential environmental disturbance. This proposed drill pad location also contained an overhead telephone line and provisions would have to be made to avoid its disturbance.

Leon Lake #6

The access to this drill location is off of Forest Road 125. The proposed access road crosses and uses part of the Green Mountain trail. The proposed access road crosses Milk Creek, another stream, and a spring. Permits for constructing stream crossings will have to be applied for and obtained from the Army Corps of Engineers. Many of the grades on the slopes in the area are excessive and roads will need to be designed to reduce the grades. The location chosen for this well site was in close proximity to a perennial stream. Another

location we reviewed was close to a wetland sag area, with riparian vegetation. This area in general, had abundant water features and riparian vegetation.

Miscellaneous items. Some other miscellaneous items discussed during the onsite investigation included whether the proposed 40-foot right of way for the pipeline was necessary, and the road width may be less than 18-feet, as originally proposed in the APDs since truck mounted drilling equipment may be used. In addition, we will need information submitted along with the APDs regarding your proposed equipment staging areas. The surveyors maps of the well locations, station locations and cut and fill diagrams will be acceptable with a Colorado Professional Licensed Land Surveyor's stamp on it.

Your lease COC-13563-A was issued in 1971 and has been active during the last 30+ which pre-dates the issuance of The Grand Mesa, Uncompahgre, and Gunnison (GMUG) National Forests Oil and Gas Leasing Environmental Impact Statement (EIS) in 1993. Therefore, you are will not be held to the leasing stipulations of the 1993 EIS.

However, the following excerpts from the EIS, Appendix H, the Forest Service Forest Plan Direction or current policy should be when you are preparing your SUPO, especially if you are proposing exceptions to stipulations:

Drill pads, general. Well sites should be camouflaged as much as possible. Shape and grade drill sites to maintain natural integrity of the area, minimize vegetation removal (except near flare pits), use fencing with non-reflective finish, and silt barriers for pads within 200 feet of live water. Avoid drilling locations which skylight or silhouette drill derricks against the landscape, and do not construct pads and development facilities in riparian areas. Avoid steep slopes and control pad runoff, and sedimentation.

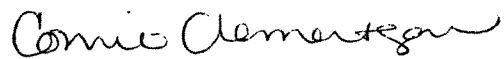
Access roads, general. Existing roads should be used as much as possible to minimize disturbance. Locate and design roads and drainage structures to prevent road or slope failure. Roads will be located outside of riparian areas unless alternative routes have been reviewed. Cross streams perpendicular to channels on as gentle grades as possible, Install all crossings in a manner that maintains stable channels, favorable water quality, and aquatic habitat. Locate new facilities out of 100-year flood plain, and if not possible, design facilities for a 100-year flood event. All new roads shall be signed and closed with a lockable gate to prevent general use of the road. Improvement to existing access will be minimized, limited to a 12-foot running surface, with minimum disturbance of surrounding soil and vegetation.

I would like to schedule a follow up onsite visit. The Leon Lake #3, #4, and #6 well locations should be staked and the proposed access road construction flagged. Stake the center of the well pad, well location, two 200-foot directional reference stakes, the exterior dimensions of the drill pad, reserve pit, other areas of disturbance (including equipment staging areas), cuts and fills, and the centerline flagging of new roads with road stakes being visible from one to the next. Cut and fill staking is also required for the well site, reserve pit and any ancillary facilities (GPS of these locations may be helpful if the stakes are destroyed). Please contact Kim Kaal when these items have been completed and you are ready for the follow-up onsite.

We anticipate that GEC will be submitting revised APDs reflecting the additional information for the SUPOs as identified in these onsite visits.

If you have any questions or concerns, please contact my staff geologists Kim Kaal or Liane Mattson at (970) 527-4131, or if you wish to discuss this letter further, please call me at (970) 242-8211. I look forward to hearing from you.

Sincerely,

A handwritten signature in cursive script that reads "Connie Clementson".

CONNIE CLEMENTSON
District Ranger

✓cc: Lynn Lewis, Bureau of Land Management, Dan Rabinowitz, Bureau of Land Management



United States
Department of
Agriculture

Forest
Service

Paonia
Ranger District
PHONE NO. 970-527-4131

P.O. Box 1030
N Rio Grande Ave.
Paonia, CO 81428
FAX 970-527-4151

File Code: 2820-2

Date: May 1, 2002

Dan Rabinowitz
U.S. Bureau of Land Management
14 Burnett Court
Durango, CO 81301

Dear Dan,

The Grand Mesa, Uncompahgre, and Gunnison (GMUG) National Forest has received six Applications for Permit to Drill (APD) gas wells from Gunnison Energy Corporation. The wells are Leon Lake wells 1 through 6, located in Sections 12, 13 and 14 of Township 12 South, Range 94 West, of the 6th Principal Meridian.

We have reviewed the proposed Surface Use Plans of Operation (SUPO) included with the APDs and find them incomplete. In general, some of the items we find missing from all six APDs are listed below. In addition, the SUPOs need to contain the information required by 36 CFR 228, Subpart E regulations in Appendix A; and plans for surface use also must conform to specifications contained in the GMUG National Forests Oil and Gas leasing Environmental Impact Statement. Please incorporate these specifications into the SUPO submittal.

SUPO Item 2. Indicate the portions of the roads to be constructed or improved. The narrative needs to describe the type of road construction that will be needed (cut, fill, ditch, culverts, drainage and surfacing). The narrative needs to include a description of the planned road maintenance route and address any access related problems (i.e., soil or land stability, road closures, etc.).

SUPO Item 4. The narrative needs to include a description of new surface disturbance, including the approximate timetable for finishing installations, and what color they will be painted. Also, if the well is a producer, more description is needed on any potential on and off location facilities, describe how will brine water be managed, etc.

SUPO Item 5. Please provide additional information on what the anticipated water use will be for the project.

SUPO Item 7. Specifically, regarding item 7D, all sewage must be removed and hauled off site, and may not be left on site covered. Specifically, regarding item 7E all trash must be removed from the sites (including flammable containers) and disposed of off Forest Service property in an appropriate landfill.

SUPO Item 8. The ancillary facilities description should include who will be present on site, how many people are anticipated, and their schedules, etc.



SUPO Item 9. The well site layout diagram needs to include scale, locations for parking, topsoil stockpile location, trash bins, etc. This diagram also needs to show the cut and fill design for drill pad construction.

SUPO Item 10. This section should include a description of how the reserve pit liner be handled and what type of liner will be used. The construction of the drill pad must be described in greater detail (including topsoil salvaging, how will excess rock be managed, how will the drill pad will be graded and ditched, and drill pads must have contour trenches and sediment traps along the bottom edge of the fill slopes). More detailed information is needed on the proposed reclamation of the drill sites (including mud pit rehabilitation plans, seed mixtures and percentages, etc.).

SUPO Item 11. Information must be included about the surface land administrator including contact names, address, and phone numbers. In addition, the COC-13563-A lease stipulates that there shall be no surface occupancy:

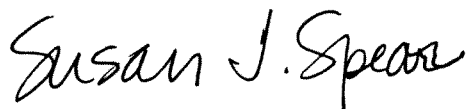
- Within 500 ft. on either side of the centerline of any and all roads and/or highways within the lease areas.
- Within 200 ft. on either side of the centerline of any and all trails within the lease area.
- Within 500 ft. of the normal high water line of any and all lakes, ponds, and reservoirs located within the lease area.
- Within 500 ft. of the normal high water line of any and all streams in the area.
- Within 400 ft. of any and all springs within the lease area.
- Within 400 ft. of any improvements either owned, permitted, leased or otherwise authorized by the Forest Service.
- Within the NW1/4 of Section 12, T12S, R94W, 6th PM.

The well locations will be reviewed in further detail in the field on June 4, 2002 for compliance with the lease stipulations (i.e., springs and streams).

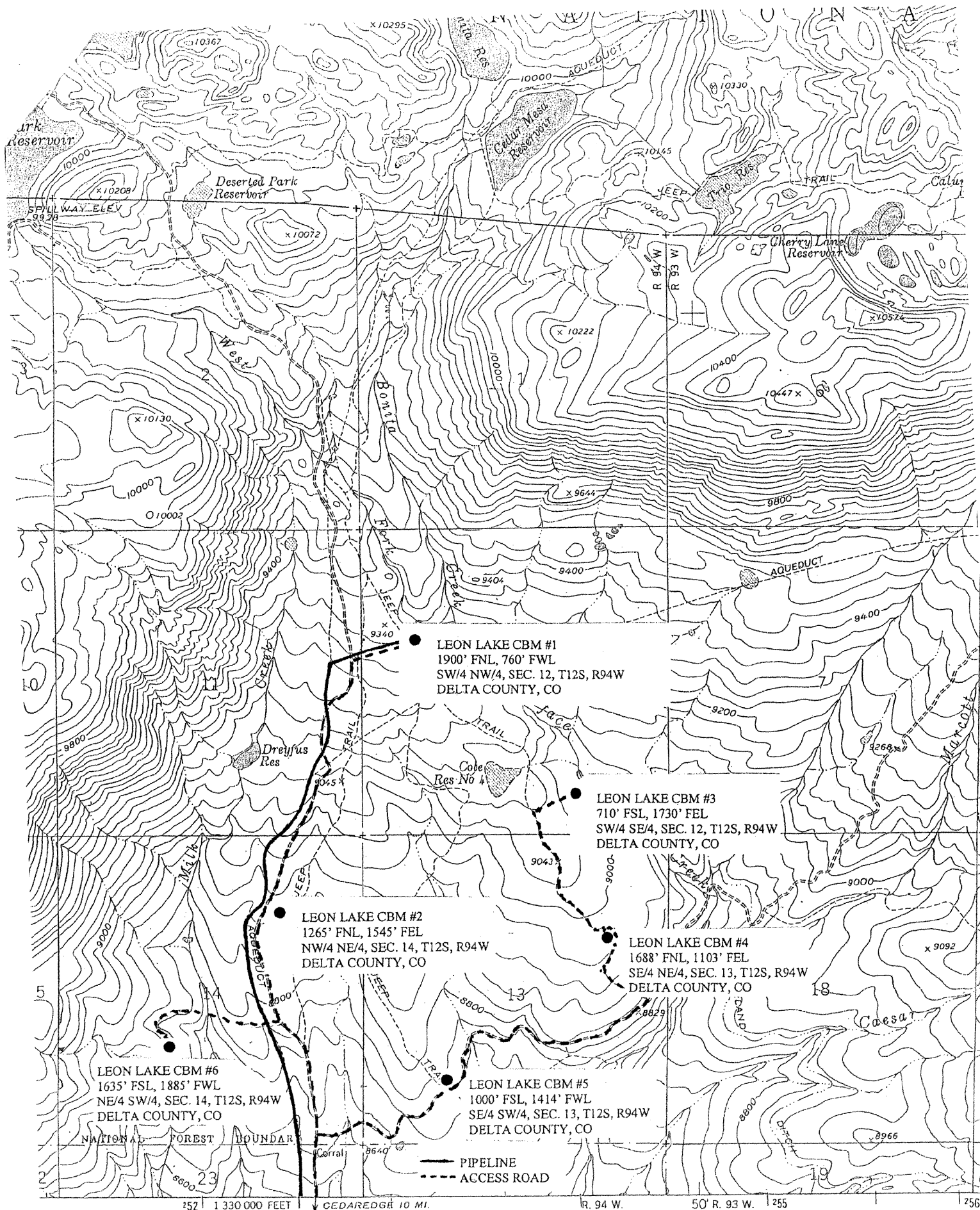
Other items noted the SUPO for Leon Lake Well #2, #3, #4, #5, and #6; Item 1B states the "The new well will be located on the Leon Lake #1 well pad..." This sentence appears erroneous and should be deleted and/or changed to be more accurate.

Attached, I have provided an example of a SUPO for guidance, and I encourage GEC to work directly with my staff to facilitate the revision of the SUPOs. Please contact Kim Kaal or Liane Mattson of my staff at (970) 527-4131 or by electronic mail at kkaal@fs.fed.us or lmattson@fs.fed.us if you have any questions, comments, or concerns.

Sincerely,



SUSAN J. SPEAR
District Ranger



oped, edited, and published by the Geological Survey

ontrol by USGS and NOS/NOAA

